Bird
EXHIBIT NO. 2
J. CONNELLY 10/13/00

FIRST STAFF DATA REQUEST, PUBLIC VERSION

August 24, 2006, Date of Response
August 9, 2006, Date of Request

David A. Gerdes
May, Adam, Gerdes & Thompson
503 South Pierre Street
P.O. Box 160
Pierre, SD 57501-0160

RE: NORTHWESTERN BBI TRANSACTION
Docket GE06-001 - Petition for Declaratory Ruling and for Transaction Approval if Jurisdiction Found

Dear Mr. Gerdes:

Following is the initial Data Request of Commission Staff regarding the above mentioned filing.

1. For each of the revenue numbers provided in Exhibit B of Petitioner's initial filing, provide a complete explanation of the accounting process which results in each number. Describe how these numbers are audited or otherwise verified either by independent third parties, internally, or otherwise. Provide the audited financial report that the numbers presented in this docket were derived from. Provide an updated Exhibit B with the most recent available 12 month data and indicate whether this data has been subject to audit or independent verification.

   Response:
   Regulated revenues are posted to SAP via a daily interface with our customer billing system, Orcom. They are directly mapped based on jurisdiction and customer rates, and are broken down by residential, commercial & industrial, etc. The revenues for the unregulated gas are posted by a journal entry

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based off the billing in Excel. The unregulated gas Nebraska sales are all to the utility, and those are posted by a journal entry as well. All revenues are subject to quarterly review procedures and annual audit procedures performed by our independent auditors. An updated Exhibit B is included based on information available through June 30, 2006. This updated exhibit reflects South Dakota related revenues as a percentage of total revenues are less than 25% utilizing any of the calculations. The reason for the decline is related to our unregulated natural gas business. During the third quarter of 2005, we began to encourage certain unregulated natural gas customers to choose other commodity suppliers as we receive little to no margin on commodity costs. We expect unregulated natural gas revenues will continue to decline for the remainder of 2006 as those customers contract directly with other providers for their commodity supply needs.

2. Regarding jurisdictional separations, explain if any allocation process is used to assign revenues to a particular jurisdiction (MT, SD, NE), or if revenues are directly assigned due to customer location. Provide and support any allocation factors used.

   <u>Response:</u>
   There are no allocations of revenue, as the mapping is direct based on state and rate.

3. Regarding regulated/unregulated separations, provide a complete description of the process used to either allocate or assign revenues between these categories. Provide and support any allocation factors used.

   <u>Response:</u>
   Customers are either regulated or unregulated and are set up in the systems that way. Regulated customers are all billed through Orcom and unregulated customers are billed through Excel. There are no allocations of revenue between regulated and non-regulated customers.

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4. Reconcile the difference between South Dakota Electric revenues found on Exhibit B and those provided to the Commission by MariKa Shahl on 02/22/06.

   Response:
   This response is confidential under ARSD 20:10:01:39, et. seq.

5. NorthWestern has informed Staff that it accounts for all utility operations utilizing GAAP accounting and then converts this method to the FERC method for regulatory purposes. Please provide a description of this process with regard to the revenues provided in this filing and its effect regarding separation of revenues between jurisdictions and regulated / unregulated operations.

   Response:
   The conversion from SEC reporting to FERC reporting for revenue is based on the direct mapping of the natural account to the FERC accounts. For revenues each account is directly mapped to a FERC account so there is a one to one relationship between SEC reporting and FERC reporting.

6. Regarding the footnote on page 1 of Exhibit B, please describe any effects this accounting treatment has on the revenues reported for these subsidiaries.

   Response:
   For FERC reporting purposes, subsidiaries are accounted for using the equity method of accounting. Therefore, rather than consolidating revenues and expenses of our unregulated subsidiaries, the net income or loss of these subsidiaries is included in Equity in Earnings of Subsidiary Companies.

7. Please define "total co grossed up revenues" and "total co grossed up revenues less adjustments found in Calculations 1-3 on Exhibit B.

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<u>Response:</u>
"Total Co. Grossed up Revenues" is the summation of the SEC reported revenues and the eliminations of revenues between affiliates.

"Total Co. Grossed up Revenues less Adjustments" is the summation of the SEC reported revenues and the eliminations of revenues between affiliates, less several adjustments between how FERC revenue differs from SEC revenue, as detailed in the chart below:

This portion of the response is confidential under ARSD 20:10:01:39, et. seq.

8. Regarding the information provided by Mr. Gerdes on 07/21/06, please explain why the "just SD unregulated (exclude Nebraska)" changed from the initial filing. Reconcile the Total Operating Revenues on the SD and NE Unregulated Gas workpaper with Exhibit B of the initial filing. Provide an explanation of the NorthWestern Consumer Services workpaper and its significance and also the SD & NE Unregulated Gas workpaper showing revenues of $1,200,537.38. Define the two categories of revenues shown on this workpaper.

<u>Response:</u>
This response is confidential under ARSD 20:10:01:39, et. seq.

If you have any questions regarding the above, please contact me at the Commission.

Sincerely,

Dave Jacobson
Bob Knadle

cc: Sara Greff
Brett Koenecke

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Responses provided by:

Kendall Kliewer
Controller
NorthWestern Corporation

NorthWestern Corporation
FERC basis revenue-South Dakota
12 Months ended June 30, 2006

South Dakota Electric	107,490,002
South Dakota Gas	58,462,933
Total SD regulated	165,952,936
Total NorthWestern FERC basis revenue	1,119,486,662
SD regulated revenue as percent of FERC basis revenue	14.82%

Revenues of non-regulated SD operations

NorthWestern Services Corporation	121,744,955	
Nekota Resources, Inc.	1,219,796	
Total	122,964,751	See note below

Note-The revenues of these subsidiaries are not included in total FERC revenues, because FERC requires presentation of subsidiaries on the equity method of accounting.

SD Electric	107,490,002
SD Gas	58,462,933
NE Gas	60,188,803
	226,141,738

Calculation 1

165,952,936	total SD regulated
122,964,751	all unregulated gas
288,917,687	total
1,254,968,842.00	total co grossed up revenues
23.02%	

Calculation 2

165,952,936	total SD regulated
122,964,751	all unregulated gas
288,917,687	total
1,211,945,082.00	total co grossed up revenues less adjustments
23.84%	

Calculation 3

165,952,936	total SD regulated
73,795,676	just SD unregulated (exclude Nebraska)
239,748,612	total
1,211,945,082.00	total co grossed up revenues less adjustments
19.78%	

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EXHIBIT B

GAS SUPPLY SALES
AND
CITY-GATE MANAGEMENT SERVICES
AGREEMENT

This GAS SUPPLY SALES AND CITY-GATE MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered this 29th day of July, 1997, to be effective July 1, 1997, by and between NORTHWESTERN ENERGY CORPORATION, a South Dakota corporation, herein referred to as "Seller", and NORTHWESTERN PUBLIC SERVICE COMPANY, a Delaware corporation, hereinafter referred to as "Buyer."

WITNESSETH THAT:

WHEREAS, Seller has purchased the rights from KN Gas Supply Services, Inc. ("KNGSSI") to that separate Gas Supply Transition Agreement, dated August 23, 1993, as amended between KNGSSI and Buyer; and

WHEREAS, Buyer has the desire to have competitive retail natural gas rates in Nebraska and to obtain the services of Seller to deliver a competitively priced supply of natural gas to Buyer's distribution systems.

NOW, THEREFORE, in consideration of the premises, the mutual convenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller and Buyer do hereby agree as follows:

I. QUANTITY

A. Seller agrees to sell and tender at the Delivery Points, and Buyer agrees to purchase and receive at the Delivery Points from Seller, natural gas supplies for all of Buyer's natural gas requirements in Kearney, North Platte, Alda, and Grand Island, Nebraska and environs (including gas supply brokered by Buyer to end-users) up to the MDQ in accordance with the terms and conditions set forth in this Agreement.

B. The Maximum Daily Quantity ("MDQ") shall be up to 57,783 Dekatherms per day at the Delivery Point(s), consisting of 9,600 Dekatherms of nominated no-notice service and 48,183 Dekatherms of firm transportation, subject to any adjustment allowed under this Agreement.

C. Base Load Gas Quantity. (1) The term "Base Load Gas Quantity" or "BLGQ" will mean that quantity of gas that Buyer is obligated to nominate and purchase from Seller under this Agreement or failing to purchase to nonetheless pay for by making to Seller a Deficiency Payment for the deficient quantity. "West End" deliveries means gas delivered to Buyer from the KNI Production Area 2 (Wyoming). "South End" deliveries means the gas delivered to Buyer from the KNI Production Area 1 (Kansas). The BLGQ will be nominated and will be considered the first gas through the meter(s) at the Delivery Points for sale and purchase under this Agreement. The BLGQ will be nominated in the following order: All West End transport capacity will be nominated first until used up. All South End transport capacity will then be nominated up to the BLGQ. In the event that Buyer fails to purchase the BLGQ for any month during the term of this Agreement, then Buyer will nevertheless make to Seller a monthly, non-recoupable Deficiency Payment equal to the quantity of BLGQ Buyer failed to purchase during the month times the then applicable Commodity Charge for the BLGQ set forth in Article II, C below. The SGQ purchased by Buyer during a month will be applied to reduce the deficiency volume of BLGQ, if any, incurred by Buyer for that month.

(2) For the periods identified below the following daily quantities will be nominated and purchased by Buyer as the BLGQ or failing to purchase Buyer shall nonetheless pay for the following quantities of BLGQ pursuant to Article I-C (1) above for an annual purchase quantity of 4,540,000 Dekatherms:

July 1, 1997 through September 30, 1997:	5,000 Dekatherms per day
October 1, 1997 through October 31, 1997:	10,000 Dekatherms per day
November 1, 1997 through November 30, 1997:	15,000 Dekatherms per day
December 1, 1997 through February 28, 1998:	25,000 Dekatherms per day
March 1, 1998 through March 31, 1998:	15,000 Dekatherms per day
April 1, 1998 through April 30, 1998:	10,000 Dekatherms per day
May 1, 1998 through June 30, 1998:	5,000 Dekatherms per day

D. Storage Gas Quantity. (1) The term "Storage Gas Quantity" or "SGQ" will mean that quantity of gas that Buyer may have delivered under this Agreement, in addition to the BLGQ, up to but not in excess of 9,600 Dekatherms per day times forty five (45) days or a total SGQ of 432,000 Dekatherms during any twelve (12) month period commencing April 1 and ending March 31 during the term of this Agreement. The SGQ will be nominated and will be considered the second gas through the meter(s) at the Delivery Point(s) for sale and purchase under this Agreement. All SGQ received for injection and storage by KN Interstate Gas Transmission Co. ("KNI") will be priced for purchase under this Agreement at the then applicable Monthly Commodity Charge for the BLGQ. There will be no price to be paid under this Agreement for the storage withdrawals of the SGQ but the SGQ will be purchased by Buyer from Seller and paid for by Buyer upon the injection of the SGQ into the storage account of Buyer that will hold the SGQ. The commodity price to be paid by Buyer to Seller under this Agreement for the SGQ injections will be in addition to and separate from the injection/withdrawal commodity rates to be paid by Buyer for KNI no-notice service. It is expressed acknowledged and agreed to by Seller and Buyer that the availability of the SGQ is subject to the KNI tariffs applicable thereto.

(2) For the periods July 1, 1997 through June 30, 1998 the following daily quantities may be nominated and purchased by Buyer as SGQ and may be injected and withdrawn by Buyer hereunder:

<u>Injections:</u>

Up to 4,800 Dekatherms per day

<u>Withdrawals:</u>

Up to 9,600 Dekatherms per day

E. At least sixty (60) days before July 1, 1998 and at least sixty (60) days before each July 1 thereafter during the term of this Agreement, Buyer shall provide to Seller, in writing, Buyer's good faith and best estimate of the BLGQ required by Buyer.

F. <u>Swing Load Gas Quantity</u>. (1) "Swing Load Gas Quantity" or "SLGQ" means the quantity of gas that Buyer may elect to purchase under this Agreement in addition to the BLGQ and the SGQ but not in excess of the quantity determined by subtracting the BLGQ plus the SGQ from the MDQ. In consideration of Seller making available to Buyer the SLGQ during the months of November through March and in addition to the Monthly Demand Charge to be paid by Buyer to Seller in accordance with Article II, A below, Buyer will also pay to Seller a SLGQ Monthly Demand Charge in accordance with Article II, B below. The SLGQ will be divided between the Fixed Price SLGQ and the Daily Priced SLGQ and priced in accordance with Article II, C (2)(a) and (b) below. If Buyer nominates the Fixed Price SLGQ it will be considered the first SLGQ through the meter(s) at the Delivery Point(s) for sale and purchased under this Agreement.

G. Subject to and conditioned upon gas and transportation capacity being available to Seller, Seller will exercise due diligence and good faith to provide overrun service (i.e. a quantity of gas in excess of the MDQ) to Buyer on a reasonable efforts basis at the price for Daily Price SLGQ set forth in Article II, C (2)(b) plus $0.4802 per Dekatherm and grossed up for the applicable KNI tariff fuel from Production Area 1 to Market Area 3. If the cost to purchase daily supplies of gas to provide overrun service delivered to KNI Market 3 exceeds the Daily Price SLGQ set forth in Article C (2)(b), then Seller shall not be obligated to provide overrun service.

H. Buyer shall have the right, upon ninety (90) days notice to Seller, to proportionately adjust the firm transportation MDQ due to loss of customers to alternate fuels, shutdowns, or to competitive suppliers with whom Buyer has no association. The firm transportation MDQ may be reduced by an amount equal to the highest daily usage, or average daily usage for the highest usage month, of the lost customer during the most recent (12) month period. Buyer and Seller will take reasonable steps to promote and retain natural gas loads and to meet competition from alternative fuels and other gas suppliers.

I. To the extent KN Energy, Inc. ("KNE") or an affiliate of KNE, serves gas loads which are served by Buyer as of April 21, 1995, Buyer may reduce the firm transportation MDQ by 1 Dekatherm for each 1 Dekatherm of lost load. Annual load loss shall be defined as the most recent (12) months usage of the customer whose load was lost to Buyer. Any reductions shall be effective on the first day of the month following Buyer's notice to Seller.

J. Seller and Buyer will support institutional natural gas advertising, education, and market development to promote natural gas usage and to encourage incremental gas load versus electricity and other alternative fuels.

II. PRICE:

A. Monthly Demand Charge: Buyer shall remit to Seller each month a Monthly Demand Charge equal to the higher of $11.08 times the total MDQ or the sum of 80% of the KNI maximum firm transportation ("FT") reservation rate from Production Area 1 to Market Area 3 per each Dekatherm times FT MDQ plus 80% of the KNI maximum no-notice ("NNS") reservation rate from storage to Market Area 3 per each Dekatherm times the NNS MDQ. The Monthly Demand Charge shall be paid each month during the term of this Agreement without regard to the quantities of gas actually purchased and received by Buyer or other payments to be made by Buyer to Seller hereunder, including, but not limited to the Deficiency Payment(s), SLGQ Monthly Demand Charge, FERC approved surcharges and the Commodity Prices. Buyer shall not be entitled to receive and retain any and all payments, credits, or other revenues related to the release of Buyer's firm transportation capacity on KNI.

B. SLGQ Monthly Demand Charge: In addition to the Monthly Demand Charge, Buyer shall remit to Seller each month for the months of November through March a SLGQ Monthly Demand Charge equal to $0.08 per Dekatherm times the adjusted Maximum Peak Day Quantity ("MPDQ") for the months specified below times the number of days in the month. The MPDQ is used to calculate the SLGQ only and does not notify or change the MDQ. The MPDQ to be adjusted for the months of November through March for purposes of calculating the SLGQ Monthly Demand Charge are as follows:

November	41,800 Dekatherms per day
December	54,500 Dekatherms per day
January	57,600 Dekatherms per day
February	60,000 Dekatherms per day
March	52,600 Dekatherms per day

In calculating the SLGQ Monthly Demand Charge the above MPDQ for each month will be adjusted by reducing the MPDQ by that month's BLGQ plus the actual SGQ plus, if applicable, the Fixed Price SLGQ purchased by Buyer during the month.

C. Monthly Commodity Charge(s):

(1) Commodity Charge for BLGQ: All BLGQ shall be priced based on the quantity allocated by Buyer between West End and South End deliveries. All BLGQ nominated from the West End will be priced based on the "Index Price" as reported in the first of the month issue of Inside FERC's Gas Market Report published for the delivery month, in the table entitled "Prices of Spot Gas Delivered to Pipeline," for Colorado Interstate Gas Co. (CIG), Rocky Mountains, plus $0.08 per Dekatherm. All BLGQ nominated from the South End will be priced based on the "Index Price" using the same publication and table as described above, except the pipeline used will be the Panhandle Eastern Pipeline Co. (PEPL), Texas-Oklahoma, plus $0.06 per Dekatherm during the months of November through March, and PEPL index during the months of April through October. Buyer will have the option to convert a designated volume up to the BLGQ purchases to a fixed price as quoted by Seller based on the requested monthly BLGQ for any month as long as notification of this intent takes place no later than five (5) working days prior to the end of the month preceding the month of delivery of gas for which the conversion to a fixed price is to be applicable. This price shall be determined using the monthly NYMEX Henry Hub future price adjusted using a basis differential to reflect a CIG Rocky Mountain or PEPL Texas-Oklahoma price. The fixed price must be mutually agreed to by both Seller and Buyer and will be fixed at a time during the day when NYMEX Henry Hub futures contracts can be purchased for the month of delivery of gas for which the conversion to the fixed price is to be applicable; provided, however, not later than at least one (1) hour before the close of the NYMEX Buyer will have the opportunity to verify the NYMEX Henry Hub price and basis differential.

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(2) Commodity Charge for SLGQ: (a) Fixed Price SLGQ. During the months of December through February, Buyer will have the option of purchasing a volume of gas up to 10,000 Dekatherms per day during any day of those months at a fixed first of the month price (the "Fixed Price SLGQ") as long as notification of this intent by Buyer to purchase Fixed Price SLGQ (stating quantity and timing) takes place no later than five (5) working days prior to the end of the month preceding the month of delivery of the Fixed Price SLGQ. If Fixed Price SLGQ has been purchased, the nominations for delivery of this gas must be received no later than 9:30 a.m. Central Clock Time ("CCT") on the day before deliveries of Fixed Price SLGQ are to commence or are to be changed. For deliveries commencing during Saturday through Monday, notice must be received no later than the previous Friday at 9:30 a.m. (CCT). Seller will work with Buyer to schedule these nominations in advance. The first of the month price will be calculated based on the NYMEX Henry Hub futures price adjusted by using a basis differential to reflect a PEPL Texas-Oklahoma price for those months at the time the Buyer chooses to lock in prices and pay the cost of the Fixed Price SLGQ, Seller will provide a detailed breakdown of the cost of the financial products and will allow Buyer the opportunity to verify these costs. After Buyer accepts this service, Buyer will be notified of the cost of the financial products and Buyer will render payment immediately.

(b) Daily Price SLGQ: Any quantity of SLGQ purchased by Buyer, other than the Fixed Price SLGQ, will be priced on a daily basis using the publication Gas Daily, published by Pasha Publications, Inc., under the heading "Oklahoma", under the publication date which corresponds to the gas flow date and shall be equal to the highest of the "Common" ("high side") price for the following "Delivery In" designations: Northern (Mid 11), NGPL, PEPL, or Williams (the "Daily Price SLGQ"). The weekend shall be priced using the price on the previous Friday trade date which is published on the following Monday.

(3) Monthly Commodity Charge(s) Fuel Gross-Up. The above Monthly Commodity Charge(s) shall be increased (grossed-up) to compensate Seller for increased fuel costs as follows: The Monthly Commodity Charge for all gas received from West End shall be increased by the applicable KNI tariff fuel percentage from KNI Production Area 2 to Market Area 3; and the Monthly Commodity Charge for all gas received from the South End shall be increased by the applicable KNI tariff fuel percentage from KNI Production Area 1 to Market Area 3. For all gas delivered to Buyer's storage account, the Monthly Commodity Charge shall be increased by the applicable KNI tariff fuel percentage for either KNI Production Area 1 or Area 2 based on the applicable receipt point volume. In addition, the storage volume available to Buyer will be reduced by the applicable KNI tariff storage fuel percentage.

D. Commodity Charge Redetermination: At least ninety (90) days before July 1, 1998 and ninety (90) days before each July 1 thereafter until termination of this Agreement, the Monthly Commodity Charge shall be renegotiated and redetermined by Seller and Buyer based upon mutually agreeable terms for the succeeding twelve (12) month period commencing and ending each July 1 and June 30 respectively. If the parties cannot agree upon a price after good faith negotiations, Buyer shall then have forty-five (45) days to solicit third party supply bids and to provide such bid prices to Seller. Seller shall then have fifteen (15) days to exercise a right of first refusal to match any bonafide bid received by Buyer from a third party supplier, including any bids to deliver gas at Buyer's Trailblazer interconnect. If Seller elects not to match, then Buyer may replace the volume of gas to be purchased from Seller under this Agreement with the third party supply; provided that Buyer shall continue to pay to Seller the Monthly Demand Charge, Seller's management fee and all applicable Transporting Pipeline transportation commodity, transmission/processing fuel, and surcharges, including ACA and GRI. If Buyer replaces gas under this Agreement with a third party supply, Seller will continue to act as Buyer's city-gate manager under this Agreement. Seller's right to match any third party bids shall continue for the full term of this Agreement regardless of whether Seller is selling gas to Buyer during any particular period. The termination of Buyer's purchase of gas under this Agreement shall not affect any other obligations or provisions of the Agreement.

E. In the event one of the Indices referenced in Article II above is discontinued or is no longer available, then Seller and Buyer shall select another Index that is a comparable source to determine the price of spot gas delivered to pipelines in the Rocky Mountains or Texas-Oklahoma production areas to replace the Index that has been discontinued or is no longer available.

III. DELIVERY POINTS:

A. The Delivery Points(s) shall be the points of interconnection between the facilities of Transporting Pipeline and Buyer at Buyer's town border stations, or any other facilities where capacity is available, located at Kearney, Grand Island, Alda, and North Platte in Nebraska.

B. The existing interconnection of Buyer's facilities at Kearney, Nebraska and the Trailblazer pipeline shall be an alternate Delivery Point to be utilized at Seller's option for Seller's supply purchased by Buyer.

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IV. CITY-GATE MANAGEMENT SERVICES

A. Seller shall perform the following city-gate management services: source gas, monitor and manage Buyer's purchases, and nominate and schedule all gas supply receipts and deliveries, including storage. Seller shall ensure that such service to the extent possible minimizes any imbalance, overrun or other similar charges from Transporting Pipeline.

B. Seller shall provide to Buyer a forecast of gas requirements when requested by Buyer. These forecasts shall include a monthly requirements forecast for normal and severe weather, and the minimum and maximum firm and interruptible daily usage forecast for each month, for the number of months requested including estimated cost of supply if desired.

C. Buyer shall remain primarily liable for certain charges for upstream Transporting Pipeline transportation and storage arrangements. Buyer shall be responsible for any reasonable cash out, overrun, end of season inventory charges, daily or monthly imbalance charges or other charges, to the extent Buyer has control, applied by upstream Transporting Pipeline due to differences between nominations and actual usage by Buyer at the city-gate. In addition, Buyer is responsible for any incremental surcharges and commodity charges which upstream Transporting Pipeline may charge against FT or storage shippers.

D. Buyer shall remit to Seller each month a city-gate management services fee charge equal to $0.035 per Dekatherm of Buyer's sales to its customers in Nebraska.

V. SHARED SAVINGS

A. In order to maintain competitive retail natural gas prices in Nebraska, Buyer is willing to share with Seller a portion of total savings achieved against a Benchmark Gas Supply Cost. Buyer is entitled to 100% of up to the smaller of Total Savings or 10% of the Benchmark Gas Supply Cost plus 50% of Total Savings in excess of 10% of the Benchmark Gas Supply Cost. Seller is entitled to a 50% share of Total Savings in excess of 10% of the Benchmark Gas Supply Cost, subject to the limitation set forth in B. below. Benchmark Gas Supply Cost is defined as the sum of the products of the gas supply component of KNE Rate Area 8 retail rates times the Buyer's residential and small commercial Dekatherm sales (Rate 91 and 92 sales) in each Month of the Contract Year. Total Savings is defined as the Benchmark Gas Supply Cost less the sum of Buyer's actual gas supply cost assigned to Rate 91 and 92 sales during each Month of the Contract Year. In determining the monthly commodity portion of gas supply cost assigned, Rate 91 and 92 sales will be allocated their proportionate share based on total non-Agency Dekatherm sales of Buyer during each Month.

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B. Seller's share of any potential savings is limited by the following: Each Month the total cost for 150 therms of KNE Rate Area 11 full service residential usage is determined. From this amount the total non-gas supply cost for 150 therms of Buyer's Rate 91 residential usage is deducted. The dollar difference is then divided by 150 to derive a per therm rate. This rate is then multiplied by Buyer's Rate 91 and 92 therm sales in each Month. The total for twelve (12) Months in each Contract Year is defined as the KNE Rate Area 11 Benchmark Gas Supply Cost. Actual true-up dollars collected by Buyer from its Rate 91 and 92 customers are added to, or true-up dollars returned by Buyer to its Rate 91 and 92 customers are subtracted from, Buyer's actual gas supply cost assigned to Rate 91 and 92 sales during each Contract Year. This amount is subtracted from the KNE Rate Area 11 Benchmark Gas Supply Cost. If the result is a negative amount, Seller is not entitled to shared savings during the Contract Year. If the result is a positive amount, Seller is entitled to shared savings during the Contract Year up to that amount.

VI. GAS SUPPLY REALIGNMENT EXIT FEE

A. If Buyer's MDQ is reduced during the term of this Agreement, Buyer shall remit to Seller a Gas Supply Realignment Exit Fee ("GSR Fee") as set forth on the attached Appendix B. The GSR Fee will equal the number of months remaining in the contract times the remaining months GSR Fee cost per Dekatherm of MDQ times the reduced MDQ in Dekatherms. If Buyer's MDQ is subsequently increased during the term of this Agreement, up to a total of 57,783 Dekatherms, Seller shall remit to Buyer an amount corresponding to the GSR Fee cost for the number of Months remaining in this Agreement times the MDQ increased.

B. Buyer shall have the option, in its sole discretion, to make payments toward the buy-down of the GSR Fee obligation, at any time and in any amount. Any additional payments by Buyer will reduce the Monthly Demand Charge by the percentage of the buy-down to the GSR Fee obligation remaining times a factor of $1.4987. This factor, and the remaining months GSR Fee cost per Dekatherm of MDQ, will reduce by a like percentage.

VII. TERM:

A. The term of this Agreement shall be thirteen (13) years commencing on July 1, 1997 and ending on June 30, 2010, subject to the other provisions of the Agreement.

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VIII. GENERAL TERMS AND CONDITIONS:

The sale and purchase of gas hereunder shall be subject to the General Terms and Conditions attached hereto as Appendix A and made a part hereof. In the event of a conflict between the foregoing provisions of this Agreement and the following General Terms and Conditions attached hereto as Appendix A, the foregoing provisions shall govern.

IN WITNESS WHEREOF, each said parties has caused this Agreement to be executed in its corporate name and its corporate seal to be affixed and witnessed by its officers thereto duly authorized, the Day and Year first above written.

"SELLER"

ATTEST: NORTHWESTERN ENERGY CORPORATION

By: [signature] By: [signature]

Title: Secretary Name: Rodney E. Leyendecker

Title: President and COO

"BUYER"

ATTEST: NORTHWESTERN PUBLIC SERVICE COMPANY

By: [signature] By: [signature]

Title: Corporate Secretary Name: Arthur R. Donnell

Title: Vice President Energy Operation

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APPENDIX A

GAS SUPPLY SALES AND CITY-GATE MANAGEMENT SERVICES AGREEMENT

GENERAL TERMS AND CONDITIONS

ARTICLE I

DEFINITIONS

A. For the purpose of this Agreement the following definitions shall apply:

1. "BTU" (British Thermal Unit") is the amount of energy required to increase the temperature of one (1) pound of water one (1) degree Fahrenheit at fifty-nine (59) degrees Fahrenheit.

2. "Contract Year" is a period of twelve (12) consecutive Months commencing and ending at 9:00 o'clock a.m. Central Clock Time on July 1 unless otherwise agreed.

3. "Cubic Foot of Gas" is the amount of gas necessary to fill one cubic foot of space when the gas is at a temperature of sixty (60) degrees Fahrenheit and under an absolute pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch.

4. "Day" is a period of twenty-four (24) consecutive hours beginning and ending at nine (9) o'clock a.m. Central Clock Time ("CCT") or at such other time as Buyer and Seller may agree upon.

5. "Delivery Point(s)" is the point or points designated in this Agreement where Seller's supply is sold and purchased hereunder and delivered to Buyer. title to and possession of Seller's supply passes from Seller to Buyer at such point(s).

6. "Gas" or "Natural Gas" is any mixture of hydrocarbons or of hydrocarbons and non-combustible gas, in a gaseous state, consisting essentially of methane, or all merchantable gases that conform to the quality specifications of the Transporting Pipeline.

7. "Total Dry Heating Value" is the number of Btus produced by complete combustion, at a constant pressure, of the amount of gas which would occupy a volume of 1 cubic foot at a temperature of 60 degrees Fahrenheit on a water-free basis and at a pressure of 14.73 p.s.i.a. with air of the same temperature and pressure as the gas, when the products of combustion are cooled to the initial temperature of the gas and air, and when the water formed by combustion has condensed to the liquid state.

8. "Dekatherms" is one million (1,000,000) British thermal units.

9. "Month" is a period beginning at 9:00 o'clock a.m. Central Clock Time, or at such other time as the parties have agreed upon, on the first Day of the calendar Month and ending at the same time on the first Day of the next calendar Month.

10. "Monthly Billing Period" is the calendar Month.

11. "Party" is Buyer or Seller.

12. "Parties" is Buyer or Seller.

13. "PSI" is the pressure measured in pounds per square inch.

14. "p.s.i.a." is pound per square inch absolute.

15. "p.s.i.g." is pound per square inch gauge.

16. "Quantity" when used to refer to a quantity of gas shall mean the Total Energy Content.

17. "Total Energy Content" is that amount determined by multiplying the total dry heating value by the volume of gas in cubic feet.

18. "Transporting Pipeline" is any pipeline providing transportation or storage service prior to Buyer's distribution system.

ARTICLE II
WARRANTY AND TITLE

A. Seller warrants, at the time of delivery, Seller's title to, and its rights to sell, the gas delivered hereunder, and warrants that such gas is free from liens, encumbrances, and adverse claims. Seller agrees to indemnify Buyer against any direct loss, damage, or expense which Buyer may sustain from a claim involving gas sold or delivered hereunder prior to delivery into the Buyer's distribution system. Buyer agrees to indemnify Seller against any direct loss, damage or expense which Seller may sustain from a claim involving gas sold or delivered hereunder after delivery into the Buyer's distribution system. Neither party shall be liable to the other for indirect, consequential, or special damages related to this Agreement.

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ARTICLE III
TAXES

A. Seller shall pay or cause to be paid all taxes lawfully levied on Seller applicable to the gas sold hereunder prior to delivery into the Buyer's distribution system. Buyer shall pay or cause to be paid all taxes lawfully levied on Buyer applicable to the gas sold hereunder after delivery into the Buyer's distribution system. Absent Seller's receipt from Buyer of an appropriate sales tax exemption certificate, Buyer shall be obligated to remit to Seller, and Seller shall be entitled to collect from Buyer, any applicable state sales tax levied on the sale of gas under this Agreement.

ARTICLE IV
QUALITY & MEASUREMENT

A. All gas delivered hereunder shall meet the quality specifications of the Transporting Pipeline and shall be measured by and in accordance with the measurement requirements of the Transporting Pipeline, unless the gas delivered by Seller hereunder was nevertheless accepted by the Transporting Pipeline and the gas that was actually delivered to Buyer's TBS met the written quality specifications set forth in the Transportation Pipeline's tariff.

ARTICLE V
IMBALANCE PENALTIES

A. The parties recognize that Buyer will be liable for any reasonable charges and penalties imposed by the Transporting Pipeline for imbalances or variances in deliveries. Seller agrees to act in good faith and with due diligence to avoid any such charges or penalties, and to cooperate in a timely fashion to adjust gas forecasts, nominations and/or deliveries as necessary to bring deliveries and receipts into balance to the extent that penalties are avoided or minimized as much as possible.

ARTICLE VI
BILLING AND PAYMENT

A. Seller shall use reasonable efforts to render invoices on or before the fifteenth (15th) Day of each Month for all Commodity and SLGQ Monthly Demand Charges applicable to the preceding Month, and the Monthly Demand Charge applicable to the current Month. Invoices shall also reflect any applicable adjustments from prior Months. If in any Month Buyer actually takes more gas than was nominated by Buyer, a subsequent billing adjustment will be made and Buyer will pay Seller for such additional gas taken above the nominated quantity. When information necessary for billing purposes is in the control of Buyer, such information relating to the prior Month shall be delivered to Seller by Buyer on or before the fifth (5) business Day of each Month.

B. Buyer shall pay Seller by wire transfer to the place and account designated by Seller in the Agreement:

1. On or before the twenty-fifth (25) Day of each Month all charges reflected on the invoice rendered by Seller in the current Month pursuant to Paragraph A of this Article; provided, however, that payment shall never be due until ten (10) Days after the receipt of the Seller's invoice; and

2. Any adjustments or additional payments shall be paid with the next following month's invoice.

C. Any invoiced amount due Seller under this Agreement not paid when due shall bear interest calculated at the daily equivalent of the Prime Rate plus two (2%) percent per annum. "Prime Rate" shall mean the per annum rate of interest for established commercial customers published from time to time by Norwest Bank South Dakota, N.A.

D. Any payments received from Buyer shall first be applied to any accrued interest due, then to the principal portion of any overdue charges, and lastly to the principal portion of any charges currently due.

E. Seller and Buyer shall each have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made under or pursuant to any of the provisions hereof.

ARTICLE VII
FORCE MAJEURE

A. The term "force majeure" shall mean acts of God; earthquakes, landslides, lightning, fires, storms, floods, washouts, freezing of wells or pipelines, explosions, rupture of lines of pipe, breakage of or accident to machinery, wells, gathering lines, pipelines, compressors or plants or any other interdicting physical event; strikes, lockouts, or other industrial disturbances; or wars, riots, civil disturbances, or insurrections; regulation or order of a governmental agency limiting access to gas supply; partial or entire failure of gas supply over which Seller has not control; failure or inability of Transporting Pipeline(s) to transport gas; inclement weather that necessitates extraordinary measures and expense to construct facilities and/or maintain operations; acts of governmental authorities having jurisdiction (including, but not limited to, federal, state, or municipal entities) which render either party unable to legally carry out their obligations, or which significantly impact a party's ability to meet its commitments under this Agreement, excepting any governmental acts made at the request of the party claiming force majeure; or any other cause or causes beyond reasonable control of the party, whether of the kind enumerated or otherwise; provided, however, that none of the foregoing shall constitute an event of force majeure unless it is not reasonably within the control of the party claiming the occurrence thereof. Neither party shall be entitled to claim economic force majeure with respect to any agreed upon price for the sale or purchase of any services or supply under this Agreement.

B. If either Seller or Buyer is rendered unable by the occurrence of an event of force majeure to carry out in whole or in part its obligations hereunder, the obligations to make demand charge payments and payments for services performed or supplies actually delivered, shall be suspended during the continuance and to the extent of any inability so caused but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch. An event of force majeure shall not, however, relieve a party of liability in the event or its concurring negligence or for any period during which it fails to use reasonable diligence to remedy the situation and remove the cause in an adequate manner and with all reasonable dispatch, nor shall the event relieve a party of liability under any circumstances unless the party gives notice and full particulars of the same in writing or by facsimile to the other party as soon as possible after the occurrence. The foregoing notwithstanding, nothing herein shall require either party to settle a strike against its will.

C. This Agreement shall not be terminated by reason of any suspension of obligations hereunder due to the occurrence of an event of force majeure.

ARTICLE VIII
ASSIGNMENT

A. Seller may assign, or grant a security interest in, any or all its rights to or in respect of payments made or to be made (or due or to become due) under this Agreement. This Agreement may not otherwise be assigned by either party without the written consent of the other party, which consent shall not be unreasonably withheld. Each successor to Seller and Buyer shall be bound by this Agreement.

ARTICLE IX
MISCELLANEOUS

A. Waiver. No waiver by Buyer or Seller of anyone or more defaults by the other in its performance under any provision hereof shall operate or be constructed as a waiver of any future default or defaults, whether of a like or different character. No delay, short of the statutory period of limitation, in asserting or enforcing any right hereunder shall be deemed a waiver of or limitation on such right.

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B. Amendment. Any change in the provisions of this Agreement made subsequent to the date of execution hereof shall not be binding unless made by executed, written amendment, and no course of dealing or course of performance between the parties, or trade usage, shall be considered in determining the meaning and intent of the terms and conditions stated herein.

C. Third-Party Beneficiaries. Except as a result of an assignment permitted herein, this Agreement shall not give rise to any rights in any person not a signatory party hereto. In particular, no person shall be entitled to claim the status of a third-party beneficiary with respect to or on account of any provision of this Agreement.

D. Headings. The descriptive headings for the articles and sections contained in this Agreement are for convenience only and shall not be considered to affect the meaning or interpretation of the provisions herein.

E. Notices and Communications. All notices or communications required by this Agreement to be given to a party in writing shall be addressed as follows:

If to Buyer:

Northwestern Public Service Company
33 Third Street SE
P. O. Box 1318
Huron, SD 57350-1318
Attention: Vice President, Energy Operations
Phone: (605) 352-8411 Facsimile: (605) 353-8286

If to Seller

Northwestern Energy Corporation
33 Third Street SE
P. O. Box 1318
Huron, SD 57350-1318
Attention: Executive Vice President
Phone: (605) 353-8235 Facsimile: (605) 353-8216

All payments by Buyer and Seller shall be wire transferred to:

Wire transfer information for Seller:

Norwest Bank, Huron Office, N.A.
ABA #
Acct: Northwestern Energy Corporation
Acct # 1800015237

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Any party may change the address to which notices, communications, or payments are to be sent by giving the other party written notice of such change in the manner provided for by this section. Receipt or notices, communications or invoices shall be deemed effective when received if sent by U.S. mail or date faxed or date placed with overnight delivery service unless otherwise provided for in this Agreement.

F. Applicable law. The parties' rights and obligations hereunder shall be interpreted in accordance with the laws of the State of South Dakota, except for any doctrine or provision thereof that would direct the application of the laws of another state. Any legal action under this Agreement must be brought before a court in the State of South Dakota.

APPENDIX B
GAS SUPPLY SALES AND CITY-GATE MANAGEMENT SERVICES AGREEMENT

GAS SUPPLY REALIGNMENT EXIT FEE SCHEDULE

Months Remaining in Contract	Cost per Dekatherm of MDQ	Months Remaining in Contract	Cost per Dekatherm of MDQ	Months Remaining in Contract	Cost per Dekatherm of MDQ	Months Remaining in Contract	Cost per Dekatherm of MDQ
156	$0.9822	117	$1.0908	78	$1.2114	39	$1.3453
155	$0.9849	116	$1.0937	77	$1.2147	38	$1.3489
154	$0.9875	115	$1.0967	76	$1.2179	37	$1.3525
153	$0.9902	114	$1.0996	75	$1.2212	36	$1.3562
152	$0.9929	113	$1.1026	74	$1.2245	35	$1.3598
151	$0.9955	112	$1.1056	73	$1.2278	34	$1.3635
150	$0.9982	111	$1.1085	72	$1.2311	33	$1.3672
149	$1.0009	110	$1.1115	71	$1.2344	32	$1.3709
148	$1.0036	109	$1.1145	70	$1.2377	31	$1.3745
147	$1.0063	108	$1.1175	69	$1.2411	30	$1.3782
146	$1.0090	107	$1.1205	68	$1.2444	29	$1.3820
145	$1.0117	106	$1.1236	67	$1.2477	28	$1.3857
144	$1.0144	105	$1.1266	66	$1.2511	27	$1.3894
143	$1.0172	104	$1.1296	65	$1.2545	26	$1.3931
142	$1.0199	103	$1.1326	64	$1.2579	25	$1.3969
141	$1.0227	102	$1.1357	63	$1.2612	24	$1.4007
140	$1.0254	101	$1.1388	62	$1.2646	23	$1.4044
139	$1.0282	100	$1.1418	61	$1.2680	22	$1.4082
138	$1.0309	99	$1.1449	60	$1.2715	21	$1.4120
137	$1.0337	98	$1.1480	59	$1.2749	20	$1.4158
136	$1.0365	97	$1.1511	58	$1.2783	19	$1.4196
135	$1.0393	96	$1.1542	57	$1.2817	18	$1.4234
134	$1.0421	95	$1.1573	56	$1.2852	17	$1.4273
133	$1.0449	94	$1.1604	55	$1.2887	16	$1.4311
132	$1.0477	93	$1.1635	54	$1.2921	15	$1.4350
131	$1.0505	92	$1.1666	53	$1.2956	14	$1.4388
130	$1.0533	91	$1.1698	52	$1.2991	13	$1.4427
129	$1.0562	90	$1.1729	51	$1.3026	12	$1.4466
128	$1.0590	89	$1.1761	50	$1.3061	11	$1.4505
127	$1.0619	88	$1.1793	49	$1.3096	10	$1.4544
126	$1.0647	87	$1.1824	48	$1.3131	9	$1.4583
125	$1.0676	86	$1.1856	47	$1.3167	8	$1.4622
124	$1.0705	85	$1.1888	46	$1.3202	7	$1.4662
123	$1.0734	84	$1.1920	45	$1.3238	6	$1.4701
122	$1.0762	83	$1.1952	44	$1.3273	5	$1.4741
121	$1.0791	82	$1.1984	43	$1.3309	4	$1.4780
120	$1.0820	81	$1.2017	42	$1.3345	3	$1.4820
119	$1.0850	80	$1.2049	41	$1.3381	2	$1.4860
118	$1.0879	79	$1.2081	40	$1.3417	1	$1.4900

Early payment factor = $1.4987

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APPENDIX B
GAS SUPPLY SALES AND CITY-GATE MANAGEMENT SERVICES AGREEMENT

GAS SUPPLY REALIGNMENT EXIT FEE SCHEDULE

Months Remaining in Contract	Total Obligation Balance	Months Remaining in Contract	Total Obligation Balance	Months Remaining in Contract	Total Obligation Balance	Months Remaining in Contract	Total Obligation Balance
156	$8,854,000	117	$7,374,547	78	$5,459,822	39	$3,031,677
155	$8,820,928	116	$7,331,199	77	$5,404,334	38	$2,961,894
154	$8,787,612	115	$7,287,564	76	$5,348,507	37	$2,891,713
153	$8,754,052	114	$7,243,642	75	$5,292,341	36	$2,821,132
152	$8,720,248	113	$7,199,430	74	$5,235,833	35	$2,750,151
151	$8,686,198	112	$7,154,927	73	$5,178,983	34	$2,678,767
150	$8,651,902	111	$7,110,133	72	$5,121,789	33	$2,606,979
149	$8,617,359	110	$7,065,046	71	$5,064,249	32	$2,534,785
148	$8,582,566	109	$7,019,665	70	$5,006,363	31	$2,462,183
147	$8,547,524	108	$6,973,988	69	$4,948,128	30	$2,389,172
146	$8,512,231	107	$6,928,014	68	$4,889,543	29	$2,315,751
145	$8,476,686	106	$6,881,742	67	$4,830,607	28	$2,241,916
144	$8,440,888	105	$6,835,171	66	$4,771,319	27	$2,167,667
143	$8,404,836	104	$6,788,299	65	$4,711,676	26	$2,093,003
142	$8,368,528	103	$6,741,125	64	$4,651,677	25	$2,017,920
141	$8,331,964	102	$6,693,648	63	$4,591,321	24	$1,942,418
140	$8,295,143	101	$6,645,867	62	$4,530,607	23	$1,866,495
139	$8,258,063	100	$6,597,780	61	$4,469,532	22	$1,790,150
138	$8,220,723	99	$6,549,385	60	$4,408,096	21	$1,713,379
137	$8,183,122	98	$6,500,683	59	$4,346,296	20	$1,636,182
136	$8,145,260	97	$6,451,671	58	$4,284,132	19	$1,558,558
135	$8,107,134	96	$6,402,347	57	$4,221,602	18	$1,480,503
134	$8,068,744	95	$6,352,712	56	$4,158,704	17	$1,402,017
133	$8,030,088	94	$6,302,763	55	$4,095,437	16	$1,323,098
132	$7,991,166	93	$6,252,499	54	$4,031,799	15	$1,243,743
131	$7,951,976	92	$6,201,918	53	$3,967,788	14	$1,163,952
130	$7,912,517	91	$6,151,020	52	$3,903,404	13	$1,083,722
129	$7,872,789	90	$6,099,803	51	$3,838,644	12	$1,003,052
128	$7,832,788	89	$6,048,266	50	$3,773,508	11	$921,939
127	$7,792,516	88	$5,996,407	49	$3,707,993	10	$840,383
126	$7,751,970	87	$5,944,224	48	$3,642,098	9	$758,381
125	$7,711,149	86	$5,891,718	47	$3,575,821	8	$675,931
124	$7,670,052	85	$5,838,886	46	$3,509,161	7	$593,032
123	$7,628,678	84	$5,785,726	45	$3,442,116	6	$509,681
122	$7,587,026	83	$5,732,238	44	$3,374,685	5	$425,878
121	$7,545,094	82	$5,678,420	43	$3,306,866	4	$341,619
120	$7,502,881	81	$5,624,271	42	$3,238,657	3	$256,904
119	$7,460,387	80	$5,569,789	41	$3,170,057	2	$171,731
118	$7,417,609	79	$5,514,973	40	$3,101,064	1	$86,096